

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 ACDA-07 CIAE-00

INR-07 L-03 NSAE-00 NSC-05 EB-07 NRC-05 OES-06

DODE-00 ERDA-05 PM-04 SP-02 SS-15 XMB-02 TRSE-00

OMB-01 H-02 /098 W

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R 110703Z AUG 76

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 4557

INFO AMEMBASSY BONN

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION IAEA VIENNA

AMCONSUL ADANA

AMCONGEN ISTANBUL

AMCONSUL IZMIR

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E.O. 11652: N/A

TAGS: BEXP, ENRG, MNUC, TECH, TU

SUBJECT: MAJOR PROJECT OPPORTUNITY: WESTINGHOUSE INTEREST IN
TURKISH NUCLEAR POWER PLANT

REF: (A) ANKARA 3111, (B) STATE 140244

SUMMARY: WESTINGHOUSE SENIOR TEAM (MESSRS, CEDRIC DENNET, VINCENT WHITE AND EDWARD MURPHY FROM POWER SYSTEMS PROJECTS DIVISION) SPENT AUGUST 5-13 IN ANKARA AND AT PROSPECTIVE PLANT SITE NEAR SILIFKE TO EVALUATE WESTINGHOUSE PROSPECTS FOR PARTICIPATING IN CONSTRUCTION OF PLANNED TURKISH NUCLEAR POWER PLANT. WESTINGHOUSE TEAM CALLED AT EMBASSY AT BEGINNING AND MR. WHITE AGAIN AT END OF VISIT AND EXPRESSED DESIRE THAT WESTINGHOUSE, DEPARTMENT AND EMBASSY MAINTAIN CONTINUING CONTACT ON THIS PROJECT. WESTINGHOUSE REPS FELT THAT BOTH TEK (TURKISH ELECTRICITY BOARD) AND ITS CONSULTANTS,
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SUISELECTRA, WERE INEXPERIENCED. WESTINGHOUSE ALSO RECEIVED

STRONG IMPRESSION THAT FINANCING AVAILABILITY AND TERMS WILL BE CRITICAL FACTOR IN DETERMINING WHO GETS PROJECT AWARD. END SUMMARY.

1. WESTINGHOUSE REPS SAID THEY ARE CONVINCED THAT TEK CHOICE OF CONSORTIUM LED BY SUISELECTRA AS CONSULTANTS IN 1974 WAS SERIOUS MISTAKE. TURKEY IS SUISELECTRA'S FIRST INTRODUCTION TO ENGINEERING NUCLEAR POWER PLANTS AND THE FIRST EXPERIENCE FOR GAAA, THE FRENCH MEMBER OF THE CONSORTIUM, ON ANYTHING OTHER THAN BOILING WATER REACTORS. NEITHER TEK NOR SUISELECTRA ARE CERTAIN HOW TO PROCEED IN CHOOSING AMONG DIFFERENT TECHNOLOGIES AND COMPANIES. WHEN SUISELECTRA CONTACTED WESTINGHOUSE LAST FALL FOR ASSISTANCE, WESTINGHOUSE GAVE THEM SEVEN VOLUMES OF INFORMATION ON PRESSURIZED WATER TECHNOLOGY.

2. FROM A TECHNICAL AND ENGINEERING PERSPECTIVE, WESTINGHOUSE FEELS THAT TEK INTENTION TO ISSUE TENDERS IN "BITS AND PIECES" RATHER THAN AS TURN-KEY OR TOTAL PACKAGE WILL COMPOUND THE PROBLEM. WESTINGHOUSE REPS SAID THAT EVEN JAPAN WITH ITS LONG EXPERIENCE IN NUCLEAR POWER HESITATES TO TACKLE THE SUPERVISION AND IMMENSE ENGINEERING PROBLEMS THAT "BITS-AND-PIECES" TENDERING INVOLVES. AS NEARLY AS WESTINGHOUSE CAN DETERMINE, TEK IS DRIVEN TO THIS APPROACH BY SHORTAGE OF FUNDS. (EMBASSY NOTE: TEK IS FINANCING BULK OF ELBISTAN 1200 MW LIGNITE PLANT BY FINDING SEPARATE FINANCING FOR EACH MAJOR COMPONENT AND EVIDENTLY FEELS THAT ONLY WAY EXPENSIVE NUCLEAR PLANT CAN BE FINANCED IS BY USING SAME STRATEGY.)

3. WESTINGHOUSE SAID THEY WERE ADVISED BY SEVERAL INFORMED SOURCES THAT KEY TO WINNING CONTRACT IS NOT EXPERIENCE, SAFETY, OR TECHNICAL QUALIFICATIONS PRIMARILY, BUT FINANCING. REPORTEDLY TWO COMPANIES HAVE OFFERED TO BUILD PLANT AND SUPPLY FINANCING - ONE FRENCH AND ONE CANADIAN. FINANCING PACKAGE OFFERED BY FRENCH FRAMATOME IZ SAID TO BE PROVIDED BY COMBINATION OF SWISS AND AMERICAN BANKS. BOTH COMPANIES ARE ASKING TEK FOR A LETTER OF INTENT STATING THAT TECHNICAL SPECIFICATIONS AND COSTS CAN BE DISCUSSED LATER.

4. TEK SENIOR OFFICIALS AND UNDERSECRETARY OF ENERGY HOWEVER, REPORTEDLY TOLD WESTINGHOUSE THAT THEY ARE UNCOMFORTABLE WITH FRAMATOME SYSTEM AND PREFER TO WAIT UNTIL THEY KNOW WHAT U.S. FIRMS WILL OFFER. WESTINGHOUSE ASKED IF TEK WOULD GIVE IT LETTER OF INTENT, PENDING ARRANGEMENT OF FINANCING, IF COMPANY CAME IN WITH LIMITED OFFICIAL USE

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A TECHNICAL PACKAGE PRIOR TO TENDERS. TEK WAS DEFINITELY INTERESTED, BUT NON-COMMITTAL. WESTINGHOUSE REPS WILL PURSUE THIS PROPOSAL FURTHER WITH U.S. HOME OFFICE, EX-IM AND U.S. BANKS.

5. WESTINGHOUSE SAID TEK INTENDS TO ISSUE INVITATIONS FOR PROPOSALS FROM FOREIGN SUPPLIERS OF HEAVY WATER, BOILING WATER AND PRESSURIZED WATER 600 MW REACTORS (RETEL A). WESTINGHOUSE IS PUSHING STRONGLY FOR ITS PRESSURIZED WATER REACTOR SYSTEM AND HAS EMPHASIZED ITS

RELIABILITY AND SAFETY IN EARTHQUAKE PRONE AREAS SUCH AS TURKEY. WESTINGHOUSE HAS ALSO POINTED OUT ESCALATING COSTS IN NUCLEAR POWER AREA, GIVEN GOT ROUGH ESTIMATE OF \$1 BILLION COST FOR 600 MW PLANT AND EMPHASIZED THAT HEAVY-WATER SYSTEM WOULD COST 25 PERCENT MORE INITIALLY, BE LESS SAFE IN SEISMIC AREAS, AND ENTAIL PROBLEM OF RELIABLE SUPPLY OF HEAVY WATER.

6. IN CALLS ON SENIOR GOT OFFICIALS, WESTINGHOUSE REPS STATED THAT WHILE MOST QUESTIONS ASKED WERE TECHNICAL AND FINANCIAL, TURKS ALSO RAISED QUESTION OF NUCLEAR SAFEGUARDS AGREEMENT AND AVAILABILITY, COST, AND RELIABILITY OF SUPPLY OF NUCLEAR FUEL. WESTINGHOUSE REPS SAID THEY GAVE GENERAL RUNDOWN WITHIN LIMITATIONS OF THEIR KNOWLEDGE OF STATUS OF US-EGYPT, US-ISRAEL AND US-IRAN NEGOTIATIONS TOGETHER WITH GENERAL BRIEFING ON SITUATION WITH REGARD TO NUCLEAR FUEL SUPPLIES TURKS DID NOT DISCUSS NON-PROLIFERATION TREATY (NPT) AND CHANCES FOR ITS REATIFICATION BY TURKISH PARLIAMENT.

7. COMMENT. TO BEST OF OUR KNOWLEDGE, WESTINGHOUSE IS FIRST AMERICAN FIRM TO HAVE DISPLAYED SERIOUS INTEREST IN TURKISH NUCLEAR POWER PLANT. EMBASSY WISHES TO BE AS HELPFUL AS POSSIBLE TO WESTINGHOUSE AND ANY OTHER POTENTIAL US SUPPLIERS. TO THIS END, WE WOULD APPRECIATE CONFIRMATION OF OUR UNDERSTANDING THAT AMERICAN PARTICIPATION IN CONSTRUCTION OF NUCLEAR POWER PLANT IN TURKEY WOULD BE SUBJECT TO GOT RATIFICATION OF NPT AND NEGOTIATION AND RATIFICATION OF TRILATERAL IAEA-US-TURKEY SAFEGUARDS AGREEMENT. IN EXPECTATION THAT GOT WILL RAISE THESE CONDITIONS WITH US, WE WOULD WELCOME FACTS AND GUIDANCE. WE WOULD ALSO LIKE TO HAVE DEPARTMENTS'S ASSESSMENT OF IMPLICATIONS FOR TURKEY OF WHAT WE UNDERSTAND TO BE A CURRENTLY TIGHT NUCLEAR FUEL SUPPLY SITUATION.

8. EMBASSY ASKS TO BE INFORMED OF CONTACTS OF WASHINGTON AGENCIES WITH WESTINGHOUSE ON THIS SUBJECT AND NEWS OF ANY FINANCING ARRANGEMENTS WESTINGHOUSE MAY BE WORKING ON WITH EXIMBANK AND PRIVATE LIMITED OFFICIAL USE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, ENGINEERING, NUCLEAR POWER PLANTS, VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ANKARA06144
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760308-0943
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760866/aaaacfnz.tel
Line Count: 156
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 ANKARA 3111, 76 STATE 140244
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAR 2004 by greeneet>; APPROVED <03 AUG 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECT OPPORTUNITY: WESTINGHOUSE INTEREST IN TURKISH NUCLEAR POWER PLANT
TAGS: BEXP, ENRG, MNUC, TECH, TU, US, WESTINGHOUSE, (DENNET, CEDRIC)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006